

NZ TRANSPORT AGENCY Q1 PERFORMANCE

01 July - 30 September 2018



TABLE OF CONTENTS

OVERVIEW	4
Regulatory compliance review	5
Financial summary	6
Health, safety and wellness	7
FEATURE — SH2 Watchman Road construction completed: improving safety and the environment	9
OUR STRATEGY	10
OUR PROGRESS	12
Our position statements and first quarter highlights	13
Our output classes	23
Our capital projects	26
Urban cycleways project update	31
FINANCIAL PERFORMANCE	33
National Land Transport Fund and National Land Transport Programme	34
NZ Transport Agency	37
Funding and long-term liabilities	39
ORGANISATIONAL HEALTH	40
Our people — key indicators for Q1	40

OVERVIEW

This quarter we have been re-aligning our work with our refreshed strategy so that we can position ourselves to deliver the Government's new priorities for land transport. We have an ambitious programme of work ahead to make the changes we want to see. This report covers our amended *Statement of performance expectations 2018/19* which reflects our refreshed strategy and what we'll deliver in 2018/19. While many of our activities this quarter are being scoped or are in the early implementation phase, we are making progress.

A REFRESHED STRATEGY

We refreshed our strategy this quarter to respond to the challenges and opportunities we face in our operating environment and to respond to the government priorities set out in the Government Policy Statement on Land Transport 2018/19 – 2027/28. Read more about this on pages 10 and 11.

TURNING STRATEGY INTO ACTION

There are a number of significant activities we will deliver in 2018/19 to progress our refreshed strategy. Each of these significant activities will help us make the big changes we want to see over the next three years. This quarter, we started work on many of these activities. Particular highlights included:

- finalising the Transport Agency's safety programme for 2018-21 to reduce deaths and serious injuries on roads
- starting the Safe Networks Programme which will use the safe system approach focusing on safe roads and roadsides, safe and appropriate speeds and safe level crossings
- beginning a programme of work to fully establish our rail safety regulatory function
- drafting a policy to define inclusive access
- working on business cases to progress the Auckland Transport Alignment Project
- looking at how the One Network Road Classification can be adapted to better fit in urban environments and how we can provide more guidance on active travel modes and place-making
- gathering our customers' views on which digital technology we need to invest in
- starting in-depth analysis of our workforce to ensure we accurately identify the like-for-like gender pay gap.

More detail about these significant activities and the work we did this quarter can be found on pages 12 – 22.

OUR PERFORMANCE

We are in the process of developing key performance measures for our position statements. From the next quarter, we will use a 'delivery confidence' rating to report progress on our significant activities.

Work continues to stabilise and strengthen our regulatory function following the Meredith Connell review we commissioned in September 2018 (see page 5) and our organisational health and capability (see page 40).

Our financial performance is on track. This quarter, 24 of our measures in our output classes met their targets. Four measures did not meet their targets. More information about the performance of our output class measures can be found on page 23.

REGULATORY COMPLIANCE REVIEW

In late September 2018, the NZ Transport Agency Board engaged law firm Meredith Connell to work with the Transport Agency to identify, assess, and then review open compliance files. Compliance files relate to potential issues where an individual or operator may not be following the rules as set out in legislation. Open files are ones where the work required to allow them to be closed has not yet been completed.

The review identified approximately 850 open files as well as shortcomings in our regulatory function – findings indicated issues with timeliness and responsiveness in managing potential non-compliance issues. The files are from a range of the Transport Agency’s regulatory functions, which relate to the certification and assurance of third-party delivery agents, vehicle inspectors, driver testing and course providers, and commercial transport operators.

Around 150 of the files were considered as having significant issues and where the potential risks of inaction or delays are high. These were prioritised as ‘red’ for urgent review by Meredith Connell with recommendations being made to the Transport Agency in relation to next steps and actions to take. Good progress has been made on these. The other files were categorised as ‘orange’ (for medium to low seriousness requiring follow-up inquiries) or ‘yellow’ (where there is already a clear process in place to address issues) and work on these is being prioritised accordingly.

Meredith Connell is also providing independent leadership of the Transport Agency’s regulatory function. There will be three phases to the work led by Meredith Connell to ensure the Transport Agency has a best practice regulatory operation going forward.

The first priority and initial phase, ‘stabilisation’, involves the legal review of the open compliance files, with recommendations being made to, and decisions made by, the Transport Agency. This phase also includes putting in place the necessary interim changes to our processes.

At the same time, work will be undertaken on the desired ‘future state’, establishing what is required to implement a best practice approach to regulatory compliance.

The third phase, ‘review’, also undertaken in parallel, is an independent review by Meredith Connell to identify and report on the reasons for the current failure and the actions needed to ensure that the situation does not recur in the future.

FINANCIAL PERFORMANCE SUMMARY

Our finances are on track. More details about our financial performance is available on page 33.

NATIONAL LAND TRANSPORT FUND REVENUE

\$57m
below
budget

Revenue year to date is 6% below budget due to lower revenue received from fuel excise duty.

Our other revenue sources from road user charges and motor vehicle registrations are in line with budget.

NATIONAL LAND TRANSPORT PROGRAMME (FUNDED FROM THE NATIONAL LAND TRANSPORT FUND) AND CROWN FUNDED EXPENDITURE

\$82m
below
budget

Expenditure year to date is 9% below budget due to lower spending on state highway, local road improvements and the Kaikōura earthquake response.

NZ TRANSPORT AGENCY NET OPERATIONAL EXPENDITURE

\$11m
below
budget

Net operational expenditure year to date is 28% below budget. Total expenditure is 10% below budget due to lower commission and transaction costs, road safety and advertising now being programmed towards the later part of the financial year, and a general underspend in operating costs across most business groups. Operational revenue is 5% above budget.

MEMORANDUM ACCOUNTS

\$3m
above
budget

Memorandum account closing balances are \$3 million above budget due to increased revenue from driver licensing, standards development and over dimension permits and lower expenditure in driver licensing and driver testing.

ASSURANCE AND COMPLIANCE OVER THE NATIONAL LAND TRANSPORT PROGRAMME AND CROWN FUNDED PROJECTS

NLTF cash position



The National Land Transport Fund's cash position is \$484 million at 30 September 2018.

2018–21 NLTP



This is the first year of the new NLTP, the revenue and expenditure for the three year programme are materially to budget.

Long Term Funding Liabilities



There is \$1.615 billion of long term funding liabilities at 30 September 2018. The New Zealand Transport Agency is compliant with all borrowing conditions.

Crown Projects



Two (Housing Infrastructure Fund and Provincial Growth Fund) out of seven projects have not seen any costs claimed during the quarter.

HEALTH, SAFETY AND WELLNESS

We want all our people to go home safe and healthy, no exceptions. We take a proactive approach to looking after those who work for us and on our behalf - because it's the right thing to do by our people, their families and friends.

WHAT WE DID THIS QUARTER

External Health and Safety Review

In July 2018, we received the findings and recommendations from an external review into our health and safety governance, risk management and worker engagement practices. A response and action plan was developed. Any new or re-prioritised recommendations have been incorporated into our Health and Safety Programme. This programme is continually monitored and progress is regularly reported to the Transport Agency's senior leadership team and also to the Board.

Developed a Health, Safety and Wellness Representatives Programme

We implemented our Health, Safety and Wellness representatives programme. The programme has been developed to:

- ensure that we have sufficient numbers of elected, trained health and safety representatives in all our work places;
- provide health and safety assistance to all our people beyond the function of the health and safety team;
- ensure the on-going information and professional development for our representatives;
- enable a framework for worker engagement and consultation to be put in place that can be used as a model of good practice to be shared with our sector partners.

Progressed monthly performance reporting systems

With our suppliers, we have developed and progressed the piloting of an online reporting system which will allow us to collect more valuable health and safety information from our construction and maintenance projects. The reporting system provides the ability to drill down into the project phase, incident outcome, incident mechanism and incident cause. Contractors will report on incident learnings, good practices developed and assurance activities undertaken to ensure critical risk controls are effective.

The results and examples of trend analysis from the initial trial of the reporting system were presented and discussed at the Zero Harm

Industry Group, and a decision was made to progress to a detailed pilot of the reporting system. We have identified 10 projects that are suitable for the pilot of the online reporting system which will run from October to December 2018. These are a mix of construction and maintenance contracts, delivered through a variety of contract mechanisms by a selection of our contractors.

Zero Harm Leadership Forum

The Zero Harm Leadership Forum was held on 18 September 2018. The meeting provided an opportunity for us to present our draft contractor health and safety expectations model and to engage with our supply chain partners around how best to set clear expectations and then manage our expectations through a clear escalation framework. The forum also allowed the Transport Agency and its supply chain partners to agree on improved methods to better capture, share and promote good health and safety practices developed on construction and maintenance projects.

Promoting mental health and wellbeing

We completed a pilot of a Mental Health First Aid course in some of our customer facing operations, including our customer contact centre. We asked participants to evaluate the pilot. Insights from the evaluation showed that further training of this type would be of benefit and our people will be better supported if we have mental health first aiders available in all our workplaces.

WHAT WE HAVE PLANNED FOR NEXT QUARTER

Implementing the Health and Safety Leadership Programme

We will implement a structured programme that will enable our leaders to record and demonstrate that the activities they undertake will improve our health and safety culture and performance. Our senior leadership team will undertake the programme first, with roll out of the programme planned across other management levels over the coming months.

HEALTH, SAFETY AND WELLNESS

We want all our people to go home safe and healthy, no exceptions. We take a proactive approach to looking after those who work for us and on our behalf - because it's the right thing to do by our people, their families and friends.

Evaluating critical health and safety risks

We will complete workshops with our business groups to identify and validate the Transport Agency's critical health and safety risks. These define the activities our people undertake that have the potential for fatal or serious harm incidents and relate to both physical and psychological safety and health risks.

We will develop "bow-tie" models for each of the critical risks. These provide an easy way to understand and communicate our risks, how they are controlled and their effects can be mitigated

Developing and promoting our wellbeing programme

The Health and Safety team will schedule further training to enable the Mental Health First Aid course to be put in place with effect from quarter 2, 2018. We will complete the review of our current programme, and through our committees and representatives, we will seek input to develop activities and resources

for inclusion in the 2019-20 programme. We will develop and promote "seasonal health and safety" resources as we come into the summer and holiday period. These resources will allow our people to better understand and manage risks we all face over the holiday period. Information will include travel and water safety as well as help with social and financial guidance.

Managing critical risks

We will finalise and implement a standard framework for managing risks associated with **Mobile Plant and Equipment** in conjunction with our supply chain partners. This is a programme of work developed with the Zero Harm Industry Group and has been initiated as a response to a trend of mobile plant related near misses and incidents across our construction and maintenance operations. The framework will be developed through workshops involving input from suppliers, industry associations and WorkSafe.

SAFETY STATISTICS – OUR CONTRACTORS

Key measure	Quarterly Trend	Current Quarter (01/07 - 30/09)	Previous Quarter (01/04 - 30/06)	Rolling 12 Months (Sept 17 - Sept 18)
Fatality	→	0	0	0
Notifiable injury	↓	1	3	9
Lost time injury (LTI)	↓	6	14	49
Medical treatment injury (MTI)	↓	9	22	66
First aid injury	↑	62	80	361
Near misses	↓	1126	1160	5211

Incidents resulting in injury have continued to reduce this quarter and ongoing near misses have remained high. This reflects a strong culture of encouraging and supporting near miss reporting on site. First aid injuries have increased slightly, however, there is no specific trend that relates to this increase.

SAFETY STATISTICS – OUR PEOPLE

Key measure	Quarterly Trend	Current Quarter (01/07 - 30/09)	Previous Quarter (01/04 - 30/06)	Rolling 12 Months (Sept 17 - Sept 18)
Fatality	→	0	0	0
Notifiable injury	↓	0	1	0
Lost time injury (LTI)	↓	0	3	1
Medical treatment injury (MTI)	↓	0	4	5
First aid injury	↑	3	0	12
Near misses	↑	2	0	34

There was an increase in the number of injuries reported which required first aid treatment. Some injuries were caused by accidents in the kitchen and one injury from a minor slip.

FEATURE

SH2 WATCHMAN ROAD CONSTRUCTION COMPLETED: IMPROVING SAFETY AND THE ENVIRONMENT

In April 2017, construction began on a \$13 million project jointly funded by the Transport Agency, Napier City Council and Hawke's Bay Airport Ltd to make significant improvements to the SH2/SH2B intersection north of Napier city.

Before construction started, this intersection had been identified as a black spot and the existing SH2 turnoff into the airport, a few hundred metres up the road from the intersection, was also considered a highway danger spot. Access to the airport was also difficult.

Analysis in 2012 showed that this intersection was rated as the fifth most dangerous intersection in the country. Between 2003 and 2012, one person died at the intersection and 31 were injured, seven of them seriously, in a total of 20 crashes.

To improve safety, a new roundabout was constructed at the intersection. Watchman Road was widened and strengthened, and a new road was built to link Hawke's Bay Airport to Watchman Road. The roundabout also includes a new entrance and exit to the airport.

The Transport Agency worked in partnership with Napier City Council and Hawke's Bay Airport to deliver this important local roading project.

A key focus of the project was ensuring that the Westshore Wildlife Reserve wetland was protected and enhanced. Part of the environmental mitigation measures of the project was to convert a large portion of land at the southern end of the Westshore Wildlife Reserve into a scrape lake. Environmental monitoring continued throughout the project.



Photo credit: Peter Scott

A special event was held on Sunday, 16 September 2018 to celebrate the completion of the road. Hawke's Bay locals were given the opportunity to walk or cycle on the road before it was officially opened and also experience the new cycling and walking paths.

The Watchman Road causeway was officially opened on Monday, 24 September 2018 for public use for the first time since work started on the high-risk intersection. Access to Hawke's Bay Airport is now via the Watchman Road causeway and existing access to the airport off Main North Road is closed.

The project was completed on time.

OUR STRATEGY

GREAT JOURNEYS TO KEEP NEW ZEALAND MOVING

OUR VALUE

A great journey is easy, safe and connected. Our focus is on providing one integrated land transport system that helps people get the most out of life and supports business.

We're looking after the national transport system with our partners, today and for the future. We're innovating to make sure the system is efficient and sustainable, unlocking opportunity and keeping New Zealand moving.

At the Transport Agency, we're proud to be part of creating a better New Zealand.

CURIOUS

STRATEGIC RESPONSES

ONE CONNECTED TRANSPORT SYSTEM

Transform land transport system performance by integrating digital technology with physical infrastructure to create a safe, connected system that works for everyone.

PEOPLE-CENTRIC APPROACH

Simplify our customers' lives and our partners' work with innovative services and experiences that make it easy for them to do what they need to.

PARTNERSHIPS FOR PROSPERITY

Unlock social and economic opportunities for customers, businesses and communities through targeted partnerships.

COLLABORATIVE

POSITION STATEMENTS

TRANSPORT SAFETY

Our position is that it is unacceptable for anyone to be killed or seriously injured while travelling or working on the land transport system.

INCLUSIVE ACCESS

Our position is that everyone should have fair and equitable access to the transport system.

LIVEABLE COMMUNITIES

Our position is that we will partner to efficiently combine planning and investment for transport and land use and this will result in more vibrant, interactive communities.

TRANSPORT TECHNOLOGY

Our position is that we will use transport technology and data to transition to safer, sustainable and connected journeys for customers.

CUSTOMER FOCUSED

RESILIENCE

Our position is the resilience of the land transport system is increased by managing risks and long-term resilience challenges and helping communities quickly recover from disruptions.

ENVIRONMENT

Our position is that we will responsibly manage the land transport system's interaction with people, places and the environment.

REGULATORY

Our position as the transport regulator is that our systems should be intuitive and clear to ensure people can make good transport choices, while harmful behaviour is swiftly dealt with.

TRANSPORT AGENCY

Our position is that the Transport Agency is respected by partners, stakeholders and customers for its responsive and engaged people and its timely delivery of sustainable transport solutions.

OUR DNA

THREE-YEAR TARGET STATES

OUR REFRESHED STRATEGY

We have refreshed our strategy to respond to recent changes in our operating environment, new transport sector outcomes and new government priorities in the Government Policy Statement on Land Transport 2018/19 – 2027/28. Our refreshed strategy will help us continue to adapt so we can keep New Zealand moving by investing in innovative transport solutions.

OUR CONTEXT

Our context is formed by the pressures that impact on what we do and how we do it. We are facing many opportunities and challenges, for example, changes in customer and business expectations, Government priorities and technology and long-term trends such as high-growth demands and a more urbanised, older population. We need to create a land transport system for New Zealand that supports wider social, economic and environmental outcomes. Our strategy positions us to respond to these opportunities and challenges and the impacts they have to make sure everyone is kept safe and benefits from the transport revolution.

OUR VALUE

Great journeys to keep New Zealand moving

Our value statement describes why we do what we do and the unique value we offer our customers and New Zealand. This means more than just moving people and goods. We see transport as a dynamic and complex system. We will work to improve the transport system so that we provide affordable access and create safe and seamless connections to keep New Zealand moving.

STRATEGIC RESPONSES – THREE BIG CHANGES WE’LL MAKE

Our strategic responses – a system response, a people-centric response and a community response – describe the direction we’ll take to deliver value to New Zealand. These are the three big changes we need to make longer term to deliver what is expected of us and ensure customers and citizens’ benefit from the changes happening in transport.

One connected transport system

We will transform the performance of the land transport system by integrating digital technology with physical infrastructure to create a safe, connected system that works for everyone.

People-centric approach

We will simplify our customers’ lives and our partners’ work with innovative services and experiences that make it easy for them to do what they need to do.

Partnerships for prosperity

We will unlock social and economic opportunities for customers, businesses and communities through targeted partnerships.

OUR POSITION STATEMENTS – WHAT WE’LL DO TO MAKE THESE CHANGES

Our eight position statements in our *Statement of intent 2018-22* describe the significant challenges for the sector and the Transport Agency over the next four years. We need to address these challenges to make the big strategic changes we are aiming for. Our position statements also describe our position on each of these challenges, what outcomes we seek to achieve, the big shifts we need to make in the land transport system to deliver change and why we are stepping up to lead the response.

OUR PROGRESS

OVERVIEW

In our *Statement of intent 2018-2022*, we describe our position statements and our target states, which are the results and changes we want to see over the next three years. Key performance indicators for each position statement and its relevant three-year target states are under development. We expect to complete the development of these measures by December 2018.

OUR SIGNIFICANT ACTIVITIES

This quarter, we also amended our statement of performance expectations for 2018/19 to align our significant activities with our refreshed strategy. Our statement of performance expectations 2018/19 contains detailed information about each position statement and information about the significant activities that we will deliver during 2018/19 against each position statement.

To determine our progress toward the desired outcomes, we will monitor key performance indicators (KPI) for each position statement once these have been developed.

To monitor our performance against the delivery of our significant activities in 2018/19, we will use a 'delivery confidence' rating to report on these activities from quarter two. This rating is focused on how confident we are that we can successfully deliver the significant activity by the end of the financial year.

This approach has been adopted from the methodology the Treasury uses to report on major capital projects in New Zealand. The approach is future focused, with ratings based on whether the project is on schedule and to budget, as well as consideration of whether it is still on track to achieve its expected benefits. The delivery confidence rating provides the ability to monitor, manage and report on risks at a governance-level of interest.

WHAT WE HAVE BEEN DOING THIS QUARTER

This quarter, we started to scope programmes of work that will help us to deliver our significant activities for 2018/19 following our strategy refresh. Work programmes for some of the significant activities have started but many others are still under development. The following section of this report provides an update on some of the significant activities we have started work on as we move our strategy into action.

TRANSPORT SAFETY



Our position is that it is unacceptable for anyone to be killed or seriously injured while travelling or working on the land transport system.

THIS YEAR'S SIGNIFICANT ACTIVITIES

The activities we will deliver in 2018/19 will set us up to design and deliver programmes that will improve safety across the land transport system. We will work with our partners to prioritise delivery of these programmes, which aim to deliver targeted safety interventions such as speed management. We will also work on fully establishing our rail safety regulatory function and will contribute to the development of a new road safety strategy for New Zealand by working in partnership with the Ministry of Transport and other agencies.

1.1 Begin delivery of a safe network improvement programme on high risk routes and intersections

1.2 Begin implementation of the Speed Management Guide on the highest risk routes and intersections.

1.3 Develop a communications programme to educate consumers on the benefits of safer vehicles.

1.4 Fully establish the Rail Safety Regulator to be a proactive, risk based regulator

1.5 Continue to work with the Ministry of Transport on developing a new Road Safety Strategy for 2019

OUR HIGHLIGHTS THIS QUARTER

This quarter, we finalised the Transport Agency's safety programme for 2018 – 21. This is part of the 2018 – 21 National Land Transport Programme which will invest \$4.3 billion over the next three years to reduce deaths and serious injuries on our roads.

We prepared a draft programme business case which will allow councils accelerated access to investment in safety projects funded by the Targeted Enhanced Financial Assistance Rate (TEFAR). The draft business case is expected to be approved next quarter.

We are underway with the Safe Networks Programme: a collaborative, prioritised programme of proven safety interventions on high risk routes across New Zealand. This programme will use the safe system approach focusing on safe roads and roadsides, safe and appropriate speeds and safe level crossings.

We have started work on a communications programme that will raise consumer awareness about vehicle safety rating information and the benefits of safer vehicles.

We established a core Transport Agency project team to provide insights, information and advice on developing the new road safety strategy. This project team will support the work the Ministry of Transport is leading in the development of this strategy. This quarter, the project team contributed to supporting material and participated in external stakeholder workshops.

The programme of work to fully establish the rail safety regulatory function is underway.

A new advertisement in our drink-driving campaign "Dilemmas" was launched in July, targeting the circle of drinking drivers' mates, rather than solely focusing on the drinking drivers. These are young males, 20 – 29 years old, who predominantly live in rural and provincial parts of New Zealand.

The Drive Community Toolkit, a collaboration with the Accident Compensation Corporation, won a “Gold Pin” in the Public Good category at the 2018 Best Design Awards run by The Designers Institute of New Zealand – recognising it as one of the best in the category.

A pilot of the fatigue programme was launched in two of the Transport Agency’s Traffic Operations Centres (Auckland and Wellington). This programme is targeted towards shift-working employers and employees and aims to encourage them to recognise the signs and causes of fatigue and mitigate against the effects of fatigue on driving. The pilots started in mid-August 2018 and will run until December 2018. A roll-out to other companies who have shift-workers is planned for early 2019.

IN FOCUS: Whangaparaoa Dynamic Lane Control

The Transport Agency has teamed up with Auckland Transport to facilitate the trial of dynamic lane control, a lane control system that changes in colour and layout using LED technologies to represent road markings. A flush median between traffic lanes changes to a live traffic lane for one travel direction in the morning and the other direction at night. The results of the trial to date have been impressive, there has been less traffic congestion and less ‘rat-running’ through residential streets and better driving behaviour in general supporting positive safety outcomes.



INCLUSIVE ACCESS



Our position is that everyone should have fair and equitable access to the land transport system.

THIS YEAR'S SIGNIFICANT ACTIVITIES

The activities we will deliver in 2018/19 will help us to develop a shared understanding of inclusive access so we can identify gaps and prioritise our work. Fair and equitable access to the land transport system also means we support a mode shift in our urban and regional transport planning to include other forms of public transport such as cycling and walking. This will give people more travel choices, more opportunities for access to employment, education and recreation opportunities and reduce negative environment, health and safety impacts.

2.1 Build understanding and shared investment approaches with central and local government about the needs of the transport disadvantaged, and which interventions work best for which groups

2.2 Develop initiatives to encourage many more people onto public transport and active modes

2.3 Develop a shared understanding in regional New Zealand of the most important transport accessibility needs for freight and tourism, and begin to take action

2.4 Support local government to develop planning approaches and approvals that support multi-modal transport choices

2.5 Deliver our commitments under the Provincial Growth Fund** programme

** Note that work associated with both the Provincial Growth Fund and Auckland Transport Alignment Project support multiple position statements

OUR HIGHLIGHTS THIS QUARTER

This quarter, we drafted an inclusive access policy. We will hold a series of internal workshops next quarter to test and build our meaning of inclusive access, which will also include analysing any gaps in the draft policy.

The single stage business case for the City Centre to Māngere Light Rail project in Auckland is in progress. Initial planning is also underway for the City Centre to Northwest line.

In September, we were able to secure funding from the Provincial Growth Fund for roading projects in Tairāwhiti (Gisborne) that will support economic development.

IN FOCUS: All Access Hackathon



The second Transport Agency hackathon focused on reimagining how technology can create a more inclusive transport system. Participants were asked to tackle barriers to access including age, licensing, affordability, geographic isolation and resilience, and disability. "There are people and parts of New Zealand whose needs are not yet met by our current transport system, whether that's through geography, affordability, age, physical accessibility, or other factors," says the Transport Agency's Director of Connected Journey Solutions, Martin McMullan.

The overall winners were ParkRite who came up with a solution to stop the abuse of mobility parks by those who are not entitled to use them and to provide visibility of the availability of mobility parks across New Zealand.

LIVEABLE COMMUNITITES



Our position it that we will partner to efficiently combine planning and investment for transport and land use and this will result in more vibrant, interactive communities.

THIS YEAR'S SIGNIFICANT ACTIVITIES

The activities we will deliver for 2018/19 will allow us to influence and shape the transport system through good urban design solutions that will allow people to move around more safely and easily. This will make our cities more liveable by making them safer and more attractive.

3.1 Further integrate 'placemaking' in solutions by developing places and spaces alongside transport facilities and integrating active modes and use of technology

3.2 Identify transport gaps for targeted regions to ensure access to essential services for all New Zealanders

3.3 Partner with the Auckland Transport Alignment Project (ATAP)** agencies to implement the indicative package (including light rail) and progress the ATAP recommendations

** Note that work associated with both the Provincial Growth Fund and ATAP support multiple position statements

OUR HIGHLIGHTS THIS QUARTER

We started a process this quarter to determine how the One Network Road Classification can be adapted to better fit in urban environments, including how we can provide more guidance around active travel modes and place-making. We also started a process to update the Investment Decision Making Framework to better align it with government priorities and transport sector outcomes.

We have been working on a number of business cases with Auckland Transport to progress ATAP.

IN FOCUS: Community engagement to support Auckland's growth

During September and October, as part of the [Supporting Growth Programme](#), more than 1000 Aucklanders helped us to imagine how the city will grow over the next 30 years. Events were held around Auckland's urban fringe in the north, northwest and south – areas currently home to small townships set amongst rural-zoned 'greenfields' but that will be rezoned over the next 10–30 years and evolve into bustling, urban communities.

"We've partnered up with Auckland Council at all of our events to make it easier to show people the full picture of how these communities could develop, and where people will be able to live, work, shop and go to school, including all their commuting options." Says Paul Glucina, Auckland's Portfolio Manager – Target Rapid Growth (Auckland).



TRANSPORT TECHNOLOGY



Our position is that we will use transport technology and data to transition to safer, sustainable and connected journeys for customers.

THIS YEAR'S SIGNIFICANT ACTIVITIES

The activities we will deliver for 2018/19 will move us towards our three-year goal of having a single integrated plan for investing in digital transport technology. This will give customers increased access to information about their transport options so they can make journeys that are safer, sustainable and more connected.

4.1 Enable customers to have the opportunity to shape New Zealand's digital transport technology system through pilots and the roadmap

4.2 Invest in the priority components necessary to deliver an enduring and flexible digital transport system

4.3 Understand the environment and have in place aligned forward plans for investment in the products

OUR HIGHLIGHTS THIS QUARTER

To enable our customers to have an opportunity to shape the digital transport technology system, we conducted surveys and held workshops to get people's views on which digital technology we need to invest in. We are compiling the responses and information received to inform our approach to, and focus on emerging transport technologies.

We are developing a strategic business case so that we can set up a future innovation fund to start testing and trialling emerging technologies.

IN FOCUS: One public transport ticket to ride for New Zealand

New Zealand currently has approximately 16 different ticketing systems in operation on its public transport network. But in time, this situation will change. In June this year, local and international technology organisations were invited to register their interest in providing a next generation, national public transport ticketing solution for New Zealand.

This invitation was issued by Project NEXT, comprised of Greater Wellington Regional Council, Auckland Transport, Environment Canterbury, nine smaller regional councils that provide public transport services in New Zealand and the Transport Agency.

A single payment platform for public transport across New Zealand has a high strategic fit with the government's direction to move towards more liveable cities and thriving regions under which public transport has a key role to play. A simple easy-to-use payment interface is a necessary condition to make public transport a more attractive mode of transport.



RESILIENCE



Our position is the resilience of the land transport system is increased by managing risks and long-term resilience challenges and helping communities quickly recover from disruptions.

THIS YEAR'S SIGNIFICANT ACTIVITIES

The activities we will deliver in 2018/19 will enable us to begin work with our partners to build the resilience capability of the transport system. We will work to understand the resilience risks communities and business face so that we can help them quickly recover from disruptions.

5.1 Build capability and/or resources with our central and local government partners to deliver against resilience priorities more effectively for communities

5.2 Draft the Resilience National Business Case

5.3 Begin joint programmes with local government and other partners to build a shared understanding of risk tolerance for communities and business, and improve capability and self-sufficiency to manage disruptive events

5.4 Include a broader range of benefits and costs for resilience project evaluations through the Investment Decision Making Review

OUR HIGHLIGHTS THIS QUARTER

We have started exploratory discussions on process, expectations and possibilities for an integrated programme that will enable us and our partners to effectively deliver resilience priorities for communities. A communications strategy has also been put in place and we have started engaging with communities.

We started scoping our joint work programmes with local government and other partners to build a shared understanding of risk tolerance for communities and business.

This quarter, we also started developing a programme of work to evaluate resilience projects using the investment decision making framework.



IN FOCUS: Te Ahu a Turanga: Manawatū Tararua Highway

Te Ahu a Turanga is the proposed new State Highway 3 route to connect the Manawatū, Tararua District, Hawke's Bay and northern Wairarapa, to replace the closed SH3 Manawatū Gorge route.

A Notice of Requirement to designate land for the proposed road corridor will be lodged later this month with the Manawatū District, Palmerston North City and Tararua District Councils. The notice is a critical step to obtain statutory Resource Management Act approvals to authorise the proposed new road across the Ruahine Ranges. Once we have lodged the NoR, the local councils (Manawatū District Council, Tararua District Council and

Palmerston North City Council) will publicly notify the documentation and allow people and groups to lodge submissions with the councils. A public hearing will then be held where the NZ Transport Agency and all submitters are able to be heard.

ENVIRONMENT



Our position is that we will responsibly manage the land transport system's interaction with people, places and the environment.

THIS YEAR'S SIGNIFICANT ACTIVITIES

The activities we will deliver in 2018/19 will enable us to begin to drive environmental change and mitigate the harmful effects of pollution. A well-defined strategy and a robust implementation plan with well-defined measures and targets (formed by the environmental sustainability performance framework that we will develop) will ensure an environmentally sustainable transport system that is good for people and the environment.

6.1 Build and begin monitoring an environmental sustainability performance framework, including climate change mitigation measures

6.2 Develop a sustainability strategy, focusing on climate change, improving public health and reducing environmental harm that incorporates robust measures and targets and is supported by a comprehensive implementation plan

OUR HIGHLIGHTS THIS QUARTER

The Transport Agency's Low Emissions Transport Working Group was initiated this quarter. The purpose of this working group is to create an open, collaborative forum to provide leadership, advice and support on how we can reduce greenhouse gas and other emissions from the land-transport system and align our transport activities so we can support and deliver the outcomes of the priority areas as set out in the Government Policy Statement on Land Transport.

We initiated a project to explore our thinking on environment and sustainability issues so that we develop an approach for our future environmental sustainability performance framework and strategy that is robust and aligns with our environmental strategic outcomes.



IN FOCUS: Auckland electric vehicle trial comes to an end

Our 12-month trial of electric vehicles (EVs) being allowed to use 11 priority lanes on state highways in Auckland ended on 7 September.

Transport Agency General Manager Customer Design and Deliver Charles Ronaldson says a survey was carried out of Auckland-based EV owners to determine whether the use of priority lanes was a significant factor in their decision to purchase an electric vehicle.

"Through this survey, EV owners said that, while being able to use the priority lanes was one of many benefits of having an EV, the use of priority lanes wasn't a significant factor in their decision to purchase an EV.

The survey results showed that other benefits of having an EV, such as being better for the environment, cheaper to run and the perception of being an early adopter were much stronger motivators when it came to making the purchase decision, Mr Ronaldson says.

We are currently reviewing the policy on how priority lanes, also known as special vehicle lanes, are used around New Zealand. Insights from this trial will be incorporated as part of this review.

REGULATORY



Our position as the transport regulator is that our systems should be intuitive and clear to ensure people make good transport choices, while harmful behaviour is swiftly dealt with.

THIS YEAR'S SIGNIFICANT ACTIVITIES

This activity we will deliver in 2018/19 will support more meaningful performance measures for our regulatory activities and give greater transparency of our regulatory performance to ensure an effective compliance and enforcement function.

We will assess our progress through ongoing monitoring of activities to develop a regulatory performance framework.

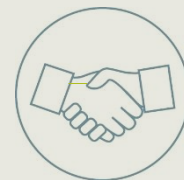
7.1 Develop and implement a whole-of-agency regulator performance framework with regulatory performance key performance indicators incorporated into board reporting.

OUR HIGHLIGHTS THIS QUARTER

During this quarter, we continued to work with the Ministry of Transport to look at options to restructure our regulatory output classes. If agreed, the proposed changes would give greater transparency to our regulatory activities and assist us to develop a regulatory performance framework.

These changes will not take effect until the next planning and budgeting cycle, and will be reflected in the Transport Agency's *Statement of performance expectations for 2018/19*. Reporting will be incorporated into the Transport Agency's quarterly and annual reports once the changes take effect.

TRANSPORT AGENCY



Our position is that the Transport Agency is respected by partners, stakeholders and customers for its responsive and engaged people and its timely delivery of sustainable transport solutions.

THIS YEAR'S SIGNIFICANT ACTIVITIES

The activities we will deliver in 2018/19 will improve and strengthen our organisation's capability and capacity with resilient systems, effective digital tools and people-centred policies that ensure we operate in an agile, engaged environment and deliver sustainable timely transport solutions

8.1 Lift employee and contractor health and safety

8.2 Close the like-for-like gender pay gap

8.3 Implement year one of the Transport Agency's Diversity and Inclusion Plan

8.4 Progress all People Leaders through the Great Leaders Programme

8.5 Roll out improved digital collaboration tools for all staff

8.6 Improve availability and resilience of key systems

8.7 Commence process automation for key financial processes and develop automated workflows for selected regulatory and compliance processes

8.8 Improve our cyber security maturity

8.9 Complete the Transport Agency's Workforce Strategy

OUR HIGHLIGHTS THIS QUARTER

This quarter, we started work on an in-depth analysis of our workforce to ensure that we accurately identify like-for-like gender pay gaps. A plan to close the like-for-like gender pay gap is under development.

We have started to examine our policies, systems, processes, recruitment methodologies, remuneration and progression practices and wellbeing initiatives with a diversity and inclusion lens as the first stage of our diversity and inclusion work programme.

The Great Leaders Platform aims to develop our leaders so that our leaders model our DNA and lift our performance through inspired leadership. Our aim is to increase staff retention over time. In this first quarter, 25% of our leaders (54 out of 219) completed module one of the programme with a further 50% going on to complete module 2.

In this quarter, we rolled out improved internal digital collaboration tools (for example, Microsoft Office 365, Microsoft Surface Hub and Skype Business). We have improved our people's access to modern, secure and resilient digital tools which help us work collaboratively.

We established the Availability and Resilience programme and started designing solutions to help us recover from any significant event which may impact our computer data centres, computer systems and networks.

We established a project and started designing solutions to automate a number of finance processes. We also replaced a manual process used to manage Ministerial questions with a new automated workflow.

Cyber security continues to be an on-going focus. We are continuing our efforts to maintain and build our security maturity across the organisation. An e-Learning Cyber Security module was made available to all staff.

OUR OUTPUT CLASSES

The Transport Agency is funded to deliver and invest in (through the National Land Transport Programme) 19 output classes. This includes road policing, which is delivered by the New Zealand Police and appropriated through Vote Police. We measure our service delivery and investment performance through a range of time, cost and quality measures.

This quarter, 24 measures¹ met their targets, while four did not meet their targets. Below is information on the measures that missed their targets.

KEY

	On track/achieved
	Risk of not achieving year-end target
	Will not achieve year-end target
	Not available

OUTPUT CLASS	MEASURE	2018/19 TARGET	Q1 ACTUAL	VARIANCE	NOTE
Licencing and regulatory compliance	% of operational assurance activities completed	100%	89%	-11%	1
Refund of fuel excise duty	Average number of days to deliver	≤20 days	22.8	-2.8	2
Investment management	% of activities delivered to agreed standards and timeframes (transport planning)	≥90%	57%	-33%	3
Administration of the SuperGold cardholders' scheme and Enhanced public transport concessions for SuperGold cardholders	% of 'on time' payment of Crown SuperGold allocation to Authorised Organisations (AOs)	100%	64%	-36%	4

Notes:

1. The target has not been met because of competing priorities, being large scale audits and revocation matters as a result of the full review of our regulatory functions undertaken by the law firm Meredith Connell. The review of our regulatory functions has meant that during this time we gave priority to acting on the recommendations from the legal review and we have not been able to complete our operational assurance activities. The operational assurance activities that we have not yet completed are not included in the list for action prepared by Meredith Connell. This is likely to continue over the next reporting period.
2. The target was not met this quarter due to resourcing issues. This has since been addressed with results indicating that processing times will be met next quarter.
3. The result is the average of two components: performance against targets for the cost of transport planning activity (which achieved 33%) and the timeliness of transport planning activity (which achieved 80%). Work is underway to improve forecasting of both time and cost components for this measure and we expect to see improved results in the second to third quarter. Performance in Q1 has been impacted by the late transition to a new National Land Transport Programme, which came into effect on 31 August, leaving just one month of the quarter for transport planning activities to occur. Additionally, at the beginning of an NLTP there are relatively few transport planning activities, which means variations have a larger impact on overall results.

¹ This figure excludes measures that are only able to be reported annually.

4. The Transport Agency has streamlined and implemented the new SuperGold Card funding process as part of regions' Public Transport Programmes. Under the new process, payments are to be made in the first quarter of the year based on a forecasted demand for the year. As of the end of Q1, 9 of the 14 AOs have been paid, 3 have not submitted their claims and 2 were awaiting payment. We will be following up AOs and aim to complete payment by Q2.

ROAD SAFETY PARTNERSHIP PROGRAMME

NZ Police continues to contribute to an overall reduction in death and serious injury through the delivery of prevention and enforcement activity. This activity is focused on the high-risk areas of the network, and on high-risk behaviours relating to restraints, impairment, distraction, and speed (RIDS).

The 2018/19 Road Safety Partnership Programme (RSPP) has 18 outcome indicators covering RIDS, plus other indicators for high-risk drivers, vulnerable and active road users, vehicle safety compliance and network maintenance and efficiency. These outcome indicators are reported as desired trends. Of the 18 outcome indicators, 11 met the desired trend this quarter.

In 9 of the 12 Police districts, RIDS offences are at least 40% of the total number of notices issued year to date. This is an increasing trend, and represents increased targeting of high-risk behaviours. The bulk of other offences remain related to breaches of the graduated driver license system conditions.

Restraints – While officer issued restraint enforcement decreased in the first quarter, restraint enforcement has improved by 15% compared to 2017/18. This has been driven by an 'all of Policing' approach to restraint enforcement through both dedicated and non-dedicated road policing staff under operational order 'see something – do something'

Impairment – While the number of breath tests completed has remained largely static, officer issued impaired driving offences increased substantially, both within the quarter, and against this time last year. This indicates better targeting by traffic alcohol groups to high risk times and locations.

Distraction – While officer issued offences reduced in the quarter and did not meet the desired trend, the number of offences has improved significantly compared to last year, with the year to date result 40% greater than last fiscal year.

Speed – Officer issued infringements, mobile camera deployment hours, and the number of written traffic warnings issued have all increased over the quarter. When looking at speed notice distribution, it is evident that enforcement of the 11-15 km/h speed band has fallen off in favour of the 16-20 km/h band, indicating that there is an increase in higher speeding offences being detected and actioned.

NZ Police continues to work with partner agencies on aligning their deployment effort to risk, and complementing other activity on the network through joint operations.

Improvement programme

The review of the Road Safety Partnership Operating, Investment and Delivery Models continues to make good progress. Five initiatives are now scoped and approved for further action. These are:

- develop a new operating model between the Transport Agency and NZ Police that aligns organisational designs and strengths
- develop a new investment model for road policing
- develop a new process for developing future Road Safety Partnership Programmes, and delivering the 2019–21 Road Safety Partnership Programme
- develop shared knowledge capability for road safety (data, intelligence, and insights)
- investigate options and deliver automated compliance solutions, and a new intervention management system.

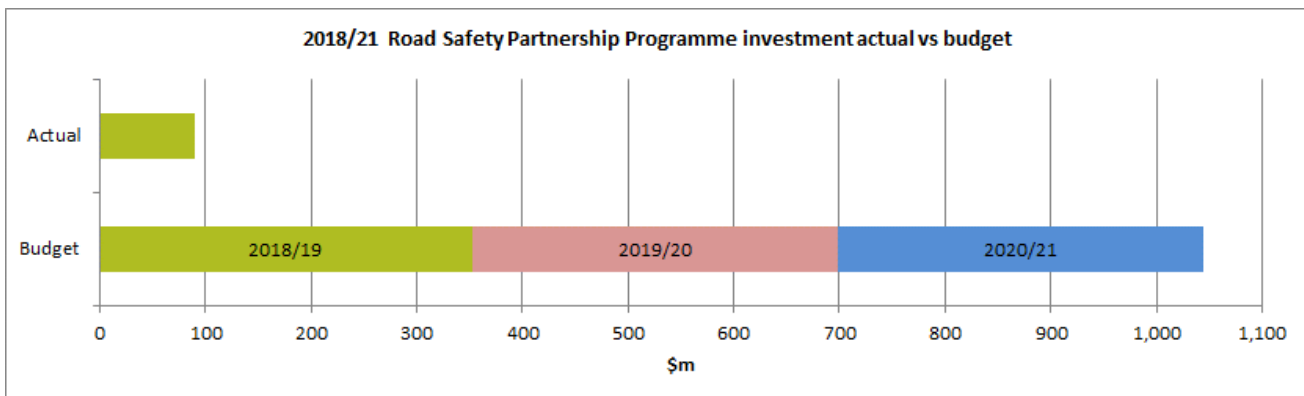
2018–21 special projects

The 2018–21 RSPP includes an investment of up to \$18.5 million in special projects. The proposed special projects align to the RSPP’s component programmes, especially in relation to the areas of speed, distractions, restraints and impairment. There are all areas where lives could be saved if prevention activities are supported by effective tools and equipment. A number of the projects will also positively impact on the roading network by providing better data for decision making or helping to reduce damage to infrastructure, with others helping to keep the public and commercial fleet moving.

NZ ROAD SAFETY PARTNERSHIP PROGRAMME EXPENDITURE AGAINST BUDGET

YEAR	NLTF APPROVAL (\$M)	ACTUAL/YTD (\$M)
2018/19	\$352.7	\$89
2019/20	\$692.3*	N/A
2020/21		
Total 2018–21 (NLTF only)	\$1,045.0*	N/A

*The values shown for 2019–21 and the overall 2018–21 period are a provisional allotment only, with a decision on the final amount to be made after completion of the review of the road policing operating and investment model.



OUR CAPITAL PROJECTS







OVERVIEW

A range of significant transport projects are being delivered through our investment in NLTP or accelerated with funding or borrowing from the Crown. The milestones we aim to deliver for each are set out in our *Statement of performance expectations 2018/19*.

Total investment in the Kaikōura earthquake response, Roads of National Significance, Auckland Transport Package and Accelerated Regional Roding Programme is \$15 billion. This does not include any costs for the Ngāūranga to Airport section of the Wellington Northern Corridor.

A number of projects which are in early stages of development (investigation and business case development) are being re-evaluated to better align with the Government Policy Statement (GPS) on Transport, as outlined in the Transport Agency Investment Proposal (TAIP).




KEY

Budget		Schedule	
	On budget		On schedule
	5-10% variance		Over schedule <3 months
	>10% variance		Over schedule >3 months

CITY CENTRE TO MANGERE LIGHT RAIL

The single stage business case for the Auckland Light Rail project started during this quarter. The business case will be finalised and submitted to the Board for approval in Q2. Once approved, we will release tenders for planning and engineering professional services and a further tender for legal services to aid the development of the next phase of work. The intention is that successful tenders will be completed in Q2 to allow work to start in early 2019.

KAIKŌURA EARTHQUAKE RESPONSE AND MANAWATŪ GORGE RESPONSE

IN CONSTRUCTION	2017	2018	2019	2020	2021	\$	⌚
Kaikōura earthquake recovery							

Significant progress continues along the Kaikōura coast with the project extending SH1 access to 24/7 hours in Q4 2017-18. Progress on the rail reinstatement is also well on schedule, with 24/7 railway operations expected to be in place by 7 October 2018 and the Coastal Pacific passenger services due to resume from 1 December 2018.

The project successfully transitioned North Canterbury Transport Infrastructure Reinstatement Alliance (NCTIR) to Phase 2 in July, by establishing a total outturn cost (TOC) contract to deliver the remaining reinstatement, safety and amenity improvements works.

This was signed by all parties on 10 July 2018, satisfying all necessary conditions to secure the Agency's Crown funding for the remainder of the reinstatement works.

Note: This excludes the SH1 Improvements package which is funded by the NLTP.

Spend on the SH1 reinstatement programme has been a little slower than anticipated over Q1 as the TOC has bedded in, and as work is balanced across both the NZTA and KiwiRail streams of work, to assure that the KiwiRail passenger rail (1st December) milestone is met.

IN PRE-IMPLEMENTATION		2017	2018	2019	2020	2021	\$	⌚
Te Ahu a Turanga; Manawatu Tararua Highway (Manawatū Gorge replacement)								

The project consenting continues on the two-stage approach. The detailed business case has been approved. The professional services contract has been awarded to BBO. Notice of Requirement (NoR) is due to be submitted on 30 October 2018.

ROADS OF NATIONAL SIGNIFICANCE

POST IMPLEMENTATION		2017	2018	2019	2020	2021	\$	⌚
Waikato Expressway	Rangiriri Section							

IN CONSTRUCTION		2017	2018	2019	2020	2021	\$	⌚
Pūhoi to Wellsford	Pūhoi to Warkworth							
Western Ring Route	Western Ring Route – Road of National Significance							
Waikato Expressway	Longswamp Section							
	Huntly Section							
	Hamilton Section							
Wellington Northern Corridor	Transmission Gully							
	Peka Peka to Ōtaki							
Christchurch Motorways	Christchurch Northern Arterial Rural with QE2							
	Christchurch Southern Motorway (Stage 2)							

At present scope changes for the **Western Ring Route** programme total \$72.5m, however, as a result of cost savings on the wider programme, the budget increase required to complete the project is \$49.9m.

There is pressure on the **Lincoln to Westgate section of the Western Ring Route** programme due to difficult geotechnical conditions. An insurance claim is being finalised in relation to a retaining wall defect which will assist in relieving budget pressures.

Three of the four **Waikato Expressway sections** (Rangiriri, Longswamp and Hamilton sections) are forecast to exceed their approved budget allocations. The additional costs relate to increased material and resources as a result of the impact of the weather on the programme and geotechnical issues. We are now looking at opening the road a year later than originally planned.

The **Peka Peka to Ōtaki** project is progressing well. The remaining consenting details are being finalised. The programme is currently under review due to scope changes.

Construction on **Christchurch Northern Arterial Rural with QE2** is progressing well and we expect to have the Belfast Road open to traffic and QE2 traffic moved to the new carriageway by the end of the year.

We have worked with the contractor on **Christchurch Southern Motorway (Stage 2)** to resolve some issues around disruptions, traffic control and design, otherwise construction remains on programme.

PRE-IMPLEMENTATION		2017	2018	2019	2020	2021	\$	⌚	
Wellington Northern Corridor	Ōtaki - Levin	[Bar chart showing progress from 2017 to 2021]						●	●

Ōtaki to north of Levin was one of the 12 corridors being re-evaluated, we remain on track to announce the outcome of the re-evaluation in Q2.

PROPERTY		2017	2018	2019	2020	2021	\$	⌚	
Pūhoi to Wellsford	Warkworth to Wellsford	[Bar chart showing progress from 2017 to 2021]						●	●

Pūhoi to Wellsford is one of the 12 corridors being re-evaluated, we remain on track to announce the outcome of the re-evaluation in Q2.

PROGRAMME BUSINESS CASE		2017	2018	2019	2020	2021	\$	⌚	
Wellington Northern Corridor	Ngāūranga to Airport	[Bar chart showing progress from 2017 to 2021]						●	●

Development of the programme business case is continuing. The Transport Agency Board was updated on progress in August 2018 and the package was then finalised in September 2018 for presentation to the Board. It is expected that this will be ready for public release in the first quarter of 2019.

AUCKLAND TRANSPORT PACKAGE

IN CONSTRUCTION		2017	2018	2019	2020	2021	\$	⌚	
Northern Corridor Improvements		[Bar chart showing progress from 2017 to 2021]						●	●
Southern Corridor Improvements		[Bar chart showing progress from 2017 to 2021]						●	●
State Highway 20A to Airport		[Bar chart showing progress from 2017 to 2021]						●	●

Northern Corridor Improvements: A price level adjustment is being prepared for land acquisition where costs to date have exceeded the current budget allocation. Motorway resurfacing is underway, construction has begun on the Tirohanga Whānui walking and cycling bridge, and work has been completed to extend the citybound platform at Constellation Station. Work has also started on the new North Harbour BMX facility, new North Harbour Hockey as well as an upgrade to Wainoni Park Pony Club.

Southern Corridor Improvements: The contractor and the project team continue to work on opportunities to advance the completion date.

State Highway 20A to Airport is almost complete, including all works at the landing roundabout.

IN PRE-IMPLEMENTATION		2017	2018	2019	2020	2021	\$	⌚	
East West Connections		[Bar chart showing progress from 2017 to 2021]						●	●

East West Connections is one of the 12 corridors being re-evaluated, we remain on track to announce the outcome of the re-evaluation in Q2.

ACCELERATED REGIONAL ROADING PROGRAMME

COMPLETE	2017	2018	2019	2020	2021	\$	⌚
Motu Bridge Replacement (Gisborne)						✓	✓

The new Motu bridge is now open, the old Motu bridge has been removed and the chipseal completed.

IN CONSTRUCTION	2017	2018	2019	2020	2021	\$	⌚
Mingha Bluff to Rough Creek						●	●
Akerama Curves Realignment and Passing Lane						●	●
Whirokino Trestle Bridge Replacement						●	●
Ōpaoa River Bridge*						●	●
Mt Messenger and Awakino Gorge Corridor						●	●
Napier Port Access Package – State Highway Watchman Road, Hawke's Bay Airport Intersection						●	●

* This was previously reported as Opawa Bridge Replacement.

Mingha Bluff to Rough Creek Realignment is complete and open to traffic, but remedial work required to pavement due to construction problems. This work could not be finalised before winter and will be completed in Q2.

Akerama Curves Realignment and Passing Lane: Works are now substantially complete on this project with a final coat seal to be undertaken in November 2018.

Whirokino Trestle Bridge Replacement: Due to consenting delays for the borrow site works, completion of Separable Portion 1 (bridge opening) is now expected in early 2020.

Ōpaoa River Bridge: The physical works contract was awarded on 26 July 2018, with possession of site on 3 September and sod turn/iwi blessing on 4 September. Construction is now underway.

Mt Messenger and Awakino Gorge Corridor: Stage 1 construction - practical completion issued during September 2018. The construction programme for stage 2 has been pushed over two construction seasons due to the nature of the works, and Ladies Mile passing lane will require period of pre-loading for minimum 6 months.

PRE-IMPLEMENTATION	2017	2018	2019	2020	2021	\$	⌚
Loop Road North to Smeatons Hill Safety Improvements						●	●
Mt Messenger Bypass						●	●
State Highway 3 Awakino Tunnel Bypass						●	●
Napier Port Access Package Prebensen Hyderabad Intersection upgrade						●	●
Napier Port Access Package Hawkes Bay Expressway Safety Treatments						●	●

Loop Road North to Smeatons Hill Safety Improvements construction is expected to be underway in Q4 2018/19. Final reviews of pricing and optioneering is being completed. Access to all of the required property is a potential risk to schedule moving forward. A price level adjustment will be required for the updated design.

Mt Messenger Bypass: The project is progressing well, with some delays due to the obtaining of the consents necessary to ensure we get the best outcome.

Napier Port Access Package Prebensen Hyderabad Intersection upgrade: Engineer's estimate has come in above the current allocation. The contract will be issued with separable portions and a price level adjustment will be required for separable portions 3 and 4.

Napier Port access package – Expressway section: A change in design focus to median barriers has delayed design completion. The project will be going to tender in September following some key engagement during July and August. Construction is expected to start in November which is well-timed to minimise customer disruption with the completion of two other key pieces of infrastructure work on the Expressway.

DETAILED BUSINESS CASE	2017	2018	2019	2020	2021	\$	⌚
Nelson Southern Link						●	●

The Transport Agency has reviewed the benefits, investment objectives, and options of this investigation against the 2018 GPS. As a result, the Transport Agency will be progressing a wider network investigation, which will include the economic links with Marlborough and Tasman. The Southern Link will be part of this investigation, as will Rocks Road.

URBAN CYCLEWAYS PROGRAMME UPDATE

PROGRAMME PROGRESS (54 PROJECTS)			\$	⌚
Completed (29 projects)	In Construction (20 projects)	Pre-Construction (5 projects)	●	●

OUR HIGHLIGHTS THIS QUARTER

Overall, the Urban Cycleways Programme has now completed 75 percent of the project milestones.

There are approximately 25 projects experiencing delays and cost increases that have extended beyond June 2018, requiring \$23.6 million of Urban Cycleways Fund to be carried over into the 2018/19 financial year. Ten of these projects are now projecting for construction to extend beyond June 2019 and in some cases out into 2021.

Below are projects or project phases that were either completed or started construction in the current quarter.

Projects and Project Stages Completed in Quarter1

- Quarryman's Trail in Christchurch
- Te Tuaiwi ("The Spine") in Wanganui
- Eltham Rd Cycle Link in Blenheim
- iWay Hastings Extension
- Maitai to Rocks Road section of the Nelson Coastal Route Project in Nelson
- Quay St extension, section 1 of the Tamaki Dr project in Auckland's City Centre Network
- Ngauranga to Thorndon Quay section of the Ngauranga to Bunny St Project in Wellington

Projects and Project Stages Commenced Construction Phase in Quarter 1

- Waitemata Safe Routes of Western Connections to City Centre, Auckland
- Bridge construction for the Dunedin Central City Cycle network
- Oriental Parade section of the Wellington Eastern Route package
- Stage 2 of the Wainuiomata Hill project in Lower Hutt

WHAT WE'RE WORKING ON NEXT QUARTER

In the second quarter of 2018/19 we expect:

- Completion of stage 2 of the Kamo Route in Whangarei
- Commencement of construction on sections 2 & 3 of the Tamaki Drive project within the City Centre Network, Auckland
- Opening of Seabrook Ave Cycleway in the Links to New Lynn project in Auckland
- Completion of Springfield phase two in the Rotorua Cy-Way
- Completion of the St Hill Street shared pathway in Wanganui
- Completion of Oriental Parade section of the Wellington Eastern Route package
- Construction work to begin on Kilbirnie and Evans Bay routes in Wellington
- Section 10 (Bridge 3) completion on the Omokoroa to Tauranga trail.

URBAN CYCLEWAYS PROGRAMME UPDATE (CONTINUED)



On Sunday, 30 September 2018, Nelson mayor Rachel Reese and acting Associate Minister of Transport James Shaw, cut the ribbon on the new Maitai to Rocks Rd Shared Pathway.

FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE SUMMARY

NATIONAL LAND TRANSPORT FUND REVENUE

\$57m
below
budget

Revenue year to date is 6% below budget due to lower revenue received from fuel excise duty.

Our other revenue sources from road user charges and motor vehicle registrations are in line with budget.

NATIONAL LAND TRANSPORT PROGRAMME (FUNDED FROM THE NATIONAL LAND TRANSPORT FUND) AND CROWN FUNDED EXPENDITURE

\$82m
below
budget

Expenditure year to date is 9% below budget due to lower spending on state highway, local road improvements and the Kaikōura earthquake response.

NZ TRANSPORT AGENCY NET OPERATIONAL EXPENDITURE

\$11m
below
budget

Net operational expenditure year to date is 28% below budget. Total expenditure is 10% below budget due to lower commission and transaction costs, road safety and advertising now being programmed towards the later part of the financial year, and a general underspend in operating costs across most business groups. Operational revenue is 5% above budget.

MEMORANDUM ACCOUNTS

\$3m
above
budget

Memorandum account closing balances are \$3 million above budget due to increased revenue from driver licensing, standards development and over dimension permits and lower expenditure in driver licensing and driver testing.

ASSURANCE AND COMPLIANCE OVER THE NATIONAL LAND TRANSPORT PROGRAMME AND CROWN FUNDED PROJECTS

NLTF cash position	G	The National Land Transport Fund's cash position is \$484 million at 30 September 2018.
2018–21 NLTP	G	This is the first year of the new NLTP, the revenue and expenditure for the three year programme are materially to budget.
Long Term Funding Liabilities	G	There is \$1.615 billion of long term funding liabilities at 30 September 2018. The New Zealand Transport Agency is compliant with all borrowing conditions.
Crown Projects	G	Two (Housing Infrastructure Fund and Provincial Growth Fund) out of seven projects have not seen any costs claimed during the quarter.

NATIONAL LAND TRANSPORT FUND AND NATIONAL LAND TRANSPORT PROGRAMME

NATIONAL LAND TRANSPORT FUND REVENUE

National Land Transport Fund (NLTF) year to date revenue is 6% below budget.

- **Fuel excise duty (FED)** is \$53 million (10%) below budget due to the variable timing of fuel shipments.
- **Road user charges (RUC)** is tracking to budget.
- **Motor vehicle registration and licensing (MVR & Lic)** is tracking close to budget.
- **Other revenue** is \$4 million (20%) below budget due to a delay in two Auckland land disposals, now expected to occur during quarter two.
- From 30 September, fuel excise duty increased by 3.5c litre and road user charges increased by an equivalent amount from 1 October.

SUMMARY

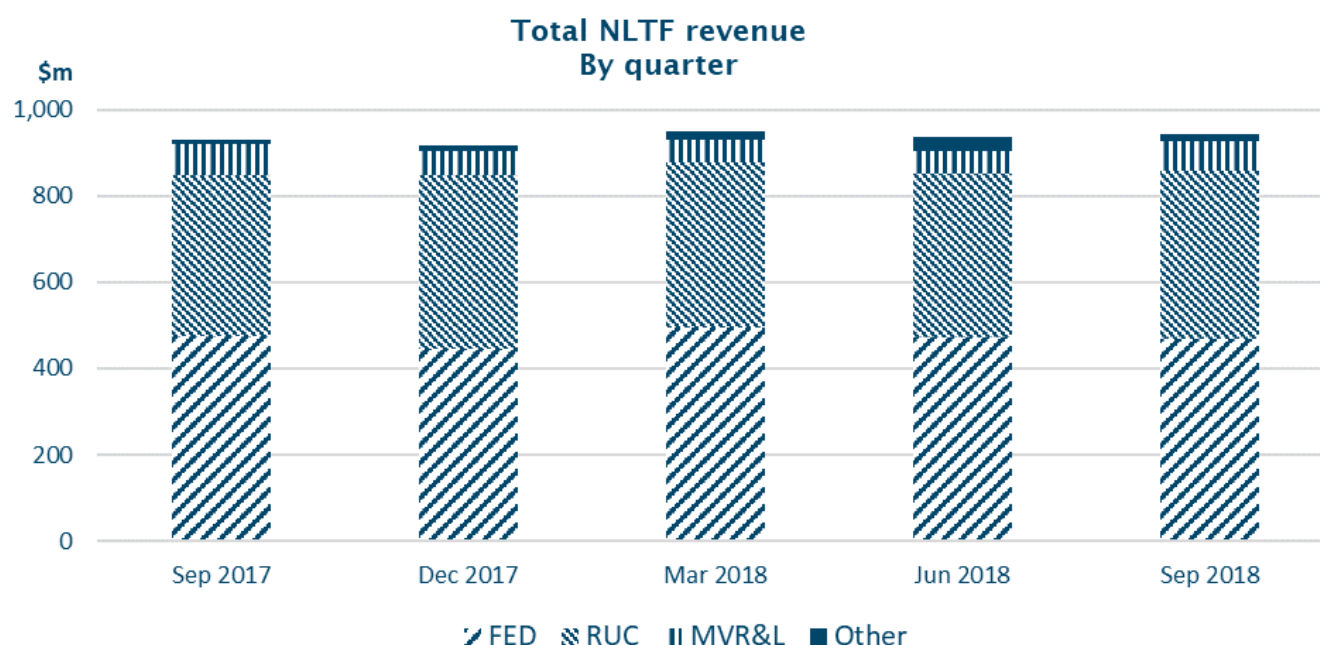
\$57m
below
budget

FED 10% below budget

RUC on budget

MVR & Lic on budget

	YEAR TO DATE				FULL YEAR
	Actual \$m	Budget \$m	Variance \$m	Variance %	Budget \$m
Fuel Excise Duty	467	520	(53)	(10%)	2,041
Road user charges	390	390	0	0%	1,602
Motor vehicle registration and licensing	68	69	0	(1%)	233
Other revenue	16	20	(4)	(20%)	80
Total NLTF revenue	942	999	(57)	(6%)	3,956




NATIONAL LAND TRANSPORT PROGRAMME (FUNDED FROM THE NATIONAL LAND TRANSPORT FUND) AND CROWN-FUNDED EXPENDITURE

National Land Transport Programme (NLTP) year to date expenditure is \$69 million (9%) below budget.

- **State highway improvements** is \$46 million (14%) below budget mainly due to lower activity than initially planned and is expected to catch up over the course of the year to achieve the full year budget.
- **Local road improvements** expenditure is \$15 million (34%) below budget. A pick up in expenditure is expected over the summer construction period, with approved organisations forecasting ambitious delivery of their programmes, with the potential to exceed year-end budget. This is driven largely by low cost - low risk activities as well as Auckland Transport’s programme to deliver the Auckland Transport Alignment Project.
- **Regional improvements** expenditure is \$5 million (21%) above budget. The programme is ramping up with a number of projects progressing well, including Whirokino and Matakoho Bridges.

Specific Crown-funded projects year to date expenditure is \$13 million (14%) below budget due to:

- **Kaikōura earthquake response** is \$6 million (14%) below budget due to a reduced level of delivery over the winter months and the road being open 24-7. Over quarter two, expenditure is expected to increase into the spring/summer period as NCTIR completes key project milestones.
- No costs have been claimed as yet on the **Provincial Growth Fund** and **Housing Infrastructure Fund**.

SUMMARY	
 <p>\$82m below budget</p>	
<p>NLTP 9% below budget</p>	
<p>Crown 14% below budget</p>	

National Land Transport Programme (Funded from the National Land Transport Fund)
and Crown-funded expenditure

					FULL YEAR
	Actual	Budget	Variance	Variance	Budget
	\$m	\$m	\$m	%	\$m
Investment management	11	17	6	37%	71
Public transport	81	80	(1)	(1%)	549
Rapid transit*	0	0	0	0%	130
Transitional rail	0	0	0	0%	35
Walking and cycling improvements	12	12	0	3%	79
Promo. of road safety & demand mgmt	6	12	6	52%	53
Local road improvements	31	46	15	34%	193
Local road maintenance	90	88	(3)	(3%)	691
Regional improvements*	30	25	(5)	(21%)	112
State highway improvements*	291	337	46	14%	1,370
State highway maintenance*	150	154	4	3%	667
NLTF funded expenditure	702	771	69	9%	3,950
SuperGold card	18	20	2	0%	29
Urban Cycleways Programme	6	6	0	4%	25
Housing Infrastructure Fund	0	0	0	0%	23
Provincial Growth Fund*	0	5	5	100%	40
Accelerated Regional Roding Programme*	5	5	(1)	(18%)	33
Auckland Transport Package*	12	13	1	4%	13
Kaikoura earthquake response*	39	45	6	14%	237
Crown funded expenditure	80	93	13	14%	400
NLTP & Crown expenditure	782	864	82	9%	4,350
*Investment in state highways	536	614	78	13%	2,714

NZ TRANSPORT AGENCY

NET OPERATIONAL AND CAPITAL EXPENDITURE

Transport Agency net operational expenditure was \$29 million.

- **Total operational expenditure** is \$9 million (10%) below budget due to \$1.7 million lower commission and transactions costs, \$2.1 million due to activity on road safety and advertising now being weighted towards the later part of the financial year, and a general underspend in operating costs across all business groups.
- **Operational revenue** is \$2 million (5%) above budget due to higher revenue received from third party fees and charges.

Transport Agency capital expenditure is tracking to budget.

SUMMARY	
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Total expenditure	10% below budget
Revenue	5% above budget

	YEAR TO DATE				FULL YEAR
	Actual \$m	Budget \$m	Variance \$m	Variance %	Budget \$m
Expenditure classified by:					
Personnel costs	40	39	(1)	(2%)	154
Operating expenses	37	47	10	22%	188
Depreciation/amortisation	3	3	0	0%	14
Total expenditure	80	89	9	10%	356
Expenditure represented by:					
NLTP	32	39	7	17%	150
Regulatory	47	50	3	5%	206
Total expenditure	80	89	9	10%	356
Less operational revenue	(51)	(49)	2	5%	(192)
Net expenditure	29	41	11	(28%)	164
Capital expenditure	5	5	0	0%	20

MEMORANDUM ACCOUNTS

The **memorandum accounts** closing balance is \$3 million (13%) above budget due to higher driver licensing, standards development and over dimension permit revenue and lower commission and transaction costs in driver licensing and driver testing.

The fee review for rail licensing is under consultation. Driver licensing and driver testing fee reviews are in the preparation phase with implementation expected during 2019/20.

SUMMARY

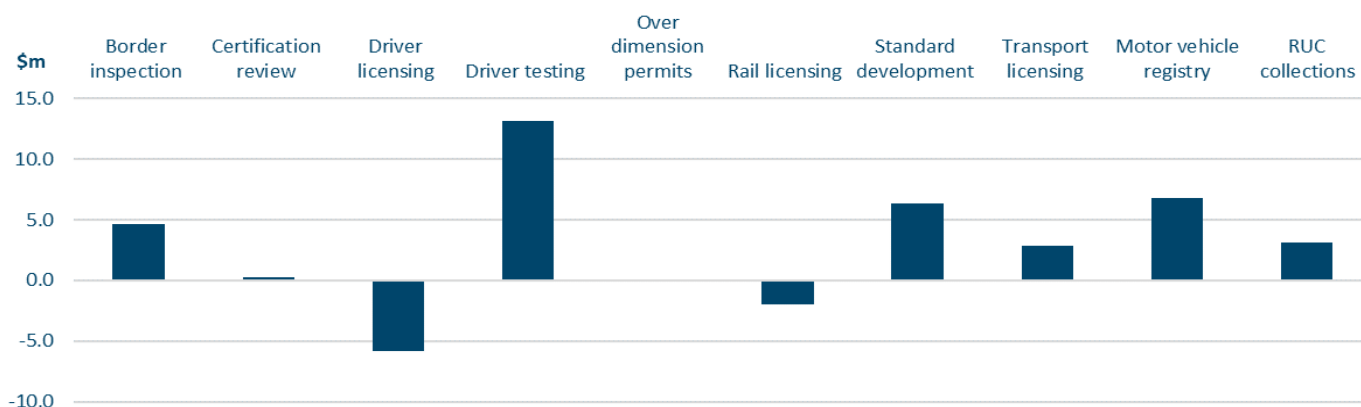
\$3m
above
budget

Closing balance

13% above budget

Closing Balance	YEAR TO DATE				FULL YEAR
	Actual \$m	Budget \$m	Variance \$m	Variance %	Budget \$m
Border inspection	4.6	4.6	(0.0)	(0%)	5.2
Certification review	0.3	0.0	0.3	949%	2.7
Driver licensing	(5.8)	(6.4)	0.6	(9%)	(15.4)
Driver testing	13.1	12.2	1.0	8%	13.9
Over dimension permits	(0.0)	(0.3)	0.3	(97%)	(1.8)
Rail licensing	(2.0)	(1.6)	(0.4)	26%	(3.3)
Standard development	6.3	4.9	1.4	29%	7.1
Transport licensing	2.8	2.5	0.3	11%	2.0
Licensing and regulatory	19.4	16.0	3.4	21%	10.4
Motor vehicle registry	6.7	6.9	(0.1)	(2%)	5.9
Motor vehicle registry	6.7	6.9	(0.1)	(2%)	5.9
RUC collections	3.1	3.1	(0.0)	(0%)	2.1
RUC collections	3.1	3.1	(0.0)	(0%)	2.1
Total memorandum accounts closing balance	29.3	26.0	3.3	13%	18.4

Memorandum account
Year to date closing balance



Other customer licensing includes rail and transport licensing.
Vehicle standards compliance includes border inspection, certification review, ODP, and standards development.

FUNDING AND LONG TERM LIABILITIES

The total long term funding liability at 30 September is \$1,615 million, incorporating specific loan packages, Public Private Partnership commitments and derivative financial liability.

The Transport Agency is compliant with all loan conditions.

There are two interest rate swaps relating to future payments under the public-private partnerships that are valued twice per year, with the last valuation at 30 June 2018 providing a liability of \$204 million.

The Auckland Transport Package works is nearing completion with the full drawdown of the loan to occur in November.

The notional cash balance in the National Land Transport Fund at 30 September 2018 is \$484 million.

SUMMARY	
NLTF Cash balance at 30 September	\$484m
Long term facilities	There was no drawdown in Q1

	BALANCE			STATUS	
	September 2018	June 2018	Movement	Total Facility Available	Remaining Repayment Period
	\$m	\$m	\$m		
Short term revolving facility	0	0	0	250	N/A
Christchurch earthquake loan	23	23	0	0	Less than 1 year
Auckland Transport Package loan	338	338	0	37	8 years
Tauranga Eastern Link loan	107	107	(0)	0	32 years
Total loans	468	468	(0)	287	
Transmission Gully (PPP)	588	549	38	1,100	22 years
Pūhoi to Warkworth (PPP)	355	306	49	950	22 years
Total public-private partnerships	943	855	87	2,050	
Derivative financial liability	204	204	0		
Total funding liability	1,615	1,527	87	2,337	

ORGANISATIONAL HEALTH

OUR PEOPLE – KEY INDICATORS FOR Q1

To respond to the challenges we have identified in our refreshed strategy and deliver better transport solutions for everyone in New Zealand, we need to continue to transform.

We operate in a complex environment and we need to work in engaged and responsive ways to deliver our transport priorities. In this quarter, we filled a number of new positions that will enable us to support the delivery of these priorities, for example, light rail.

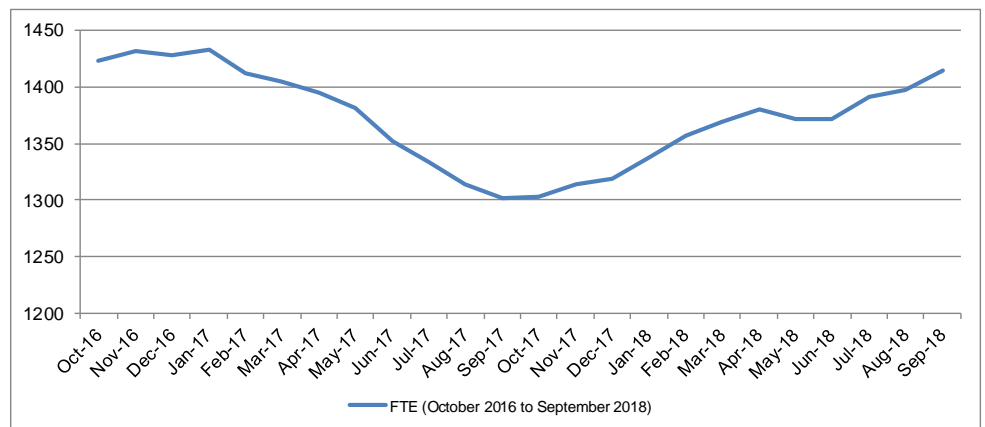
Full-time equivalent (FTE) employees

At 30 September 2018 there were 1414.5 full-time equivalent employees (FTEs). Since the last quarter, the number of FTEs has grown by 3.1% and by 8.6% compared to the previous 12 months. In terms of talent acquisitions, there were 160 active vacancies under recruitment.

The decrease in FTEs from January 2017 – September 2017 was the intentional result of carefully managed

recruitment leading up to and moving into the new structure in July 2017. This approach was designed to minimise the disruption of new staff joining the Transport Agency during the transition period and to allow us to hire new staff specifically in areas that required increased capacity in our new operating model.

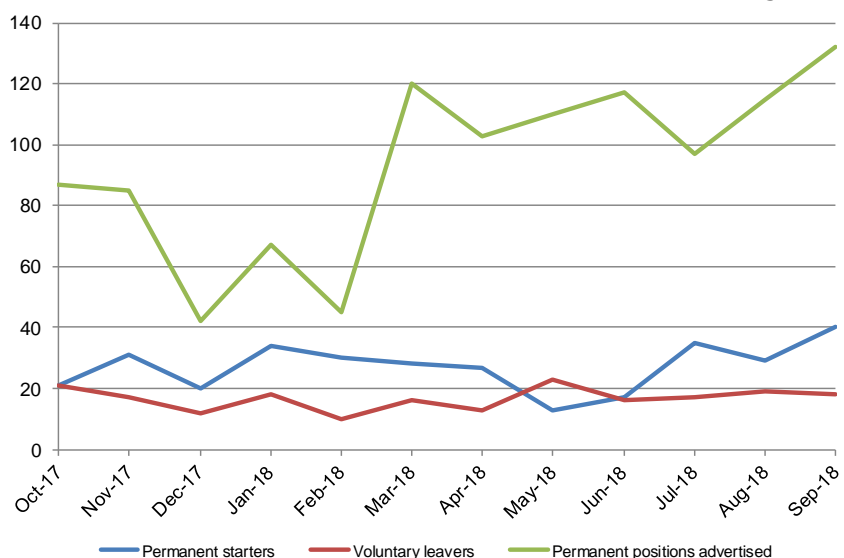
Since our transformation, FTEs have risen, including a small number of new positions in quarter one created to support the delivery of the Transport Agency's strategy and new priorities, such as light rail. As vacancies are filled, the number of FTEs is expected to surpass the high of 1432.9 FTEs in January 2017.



Permanent comings and goings

At 30 September 2018 there were 132 permanent roles in the active recruitment phase, increasing from 117 permanent roles last quarter. The number of permanent roles being recruited for is significantly greater than the annual average of 93 permanent vacancies at month end.

The increase in roles relates to new positions in light rail, the Provincial Growth Fund, and within existing teams as a flow-on from the capability and capacity review in early 2018, which resulted in 54 additional roles. Recruitment is also underway for customer service representatives, summer interns and the customer experience and behaviour campaign which encompasses 17 roles.



Voluntary turnover, which includes permanent employees only, currently sits at 14.6%, dropping from 15.0% in the last quarter. The current rate is considerably lower than the same time last year, when it was 16.6%.

Gross Turnover, which also includes fixed-term employees, is a useful comparison tool due to the high-use of fixed-term positions across agencies. As at 7 December 2017 (last comparable data available through the State Services Commission), the Transport Agency’s gross turnover was 18%, which is in line with other similar agencies’ performance.

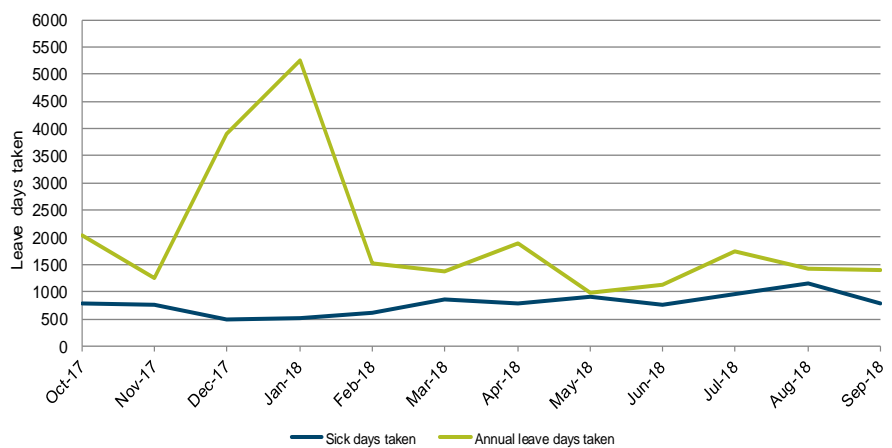
As at 30 September 2018, our average tenure is 7.7 years.

We continue to look for ways to retain our people and decrease turnover through a series of planned activities designed to continue to support and encourage our people, and we are working hard to ensure the Transport Agency is a great place to work by focusing on employee wellness and recognition.

Planned and unplanned leave taken

Our average annual leave balance at 30 September 2018 was 16.1 days.

The balance is expected to reduce in Q2 due to the holiday break period and mandatory shut-down, in line with previous holiday seasons (as demonstrated by the sharp increase in leave from November 2017, dropping back to the average in February 2018). Leave plans are in place for those staff members with a high annual leave balance, with an aim to meet our target average of 12.5 days.

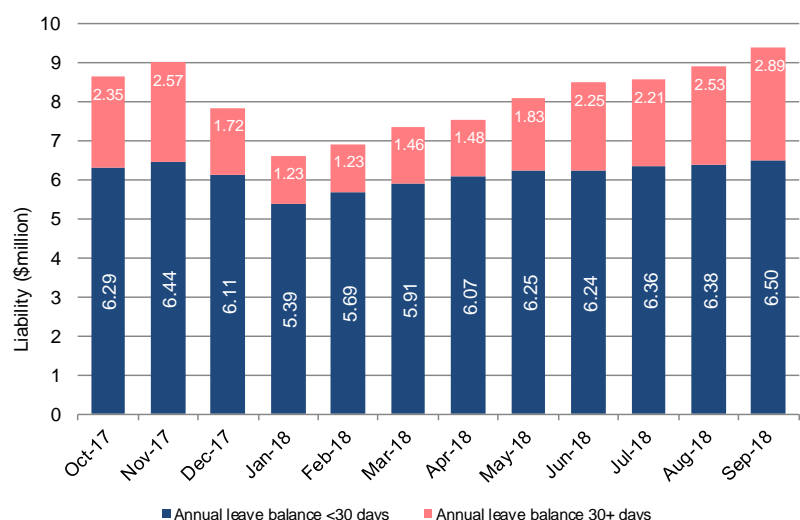


Average sick leave taken over the year is 7.4 days. The number of sick leave days taken since the last quarter has increased. This could be attributed to the winter season where employees are more likely to fall ill. Since we have moved into spring, there has been a decline in the number of sick leave days taken, and we anticipate this trend will continue as we move towards summer.

Annual leave liability

Our average annual leave liability as at 30 September 2018 was \$9.39 million (approximately \$6,354 per person), which is \$896,000 more than last quarter. It is also 9.3% higher than the liability of \$8.58 million recorded at the same time last year. Liability is likely to reduce as employees book and use annual leave over the upcoming holiday period.

There were 182 employees with an excessive annual leave balance of 30+ days, a 24.7 percent increase since last quarter. When annual leave that has been booked but not yet used is taken into consideration, the number of employees with an excessive annual



leave balance reduces significantly to 88 employees (6.0% of staff). Of those 88 employees, 45 have an entitled annual leave balance of over 20+ days (also factoring in future booked leave).

Human resources business partners are working with employees and managers to establish leave plans for those employees with a high annual leave balance, to ensure they are getting adequate rest and recovery time.